

Committee report

Committee	CABINET – TUESDAY, 17 SEPTEMBER 2013 FULL COUNCIL – WEDNESDAY, 18 SEPTEMBER 2013
Title	BUDGET REVIEW
Report to	LEADER OF THE COUNCIL AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. As part of the Medium-Term Budget Strategy process, a mid-year budget review report is made to Council each September to provide an update on the local authority's financial position. This takes into account the previous financial year's outturn, the current year's delivery of savings and budget monitoring position, along with the projected budget position for the next financial year.
2. In the context of this latest overall budget and financial position and the development of the new administration's priorities the report sets out the broad framework for achieving an updated Medium-Term Financial and Budget Strategy for 2014/15 and future years.

OUTCOMES

3. To confirm the overall financial position facing the Council and to agree the overall framework for achieving an updated Medium-Term Financial and Budget strategy for 2014/15 and future years.
4. To agree the continued investment in apprenticeships to enable them to continue to the end of 2013/14 until a more sustainable solution can be potentially developed.

BACKGROUND

5. The Council set the 2013/14 Budget and Capital Programme at its meeting on 27 February 2013. This was against a background of the 2010 Comprehensive Spending Review and the final Financial Settlements for Local Government for 2011/12, 2012/13, and 2013/14 with provisional figures for 2014/15 which significantly reduced the level of government funding which the Council receives, on an on-going basis.
6. In overall terms it was estimated that over the four financial years 2011/12 – 2014/15 the loss of grant would be £23.6m. Since then the Government has announced further reduced spending limits as part of the Budget announced in March 2013 and for 2015/16 and future years as part of the 2015/16 comprehensive spending review announced in June 2013.

STRATEGIC CONTEXT

7. The Council's existing Corporate Plan, along with the Medium-Term Financial Strategy to deliver it, was agreed by Council at its meeting on 15 June 2011.
8. The key priorities in the Corporate Plan provide a framework for the setting of the Council's budget and where resources should be prioritised: i.e. to deliver the outcomes required that will make a difference to the way services are delivered and improved for residents and visitors. The activities set out within individual service plans aim to deliver the required outcomes and are supported by service budgets.
9. With a new Council there is a need to develop a new Corporate Plan that reflects the priorities of the new administration and Full Council on 17 July 2013, in considering the root and branch review, agreed that the framework for change document be used as a basis for developing the Council's approach to its Corporate Plan.
10. Under the new administration there has been a number of significant measures that have already been implemented which will inform how the final Corporate Plan will be developed and what priorities will be included .In particular:-

Decision – Making Process

- The governance of the council is changing. Plans are underway to introduce a more open and transparent committee style structure with the opportunity for all members of the council to be involved in decision making and the formulation of policy and strategy.
- Stopped all cabinet member delegated decisions – the council's decision making processes are now far more open and transparent.
- Given the role of scrutiny the prominence and importance it needs within the council. This informs policy making and holds the executive to account.

Working in Partnership

- Established and reinvigorated relationships with organisations on and off the Island – including the Isle of Wight Chamber of Commerce, Federation of Small Businesses, Isle of Wight Association of Local Councils (IWALC), unions, Local Enterprise Partnership (LEP), Partnership for Urban South Hampshire (PUSH) and Transport for South Hampshire (Local Transport Body).
- Supporting Visit Isle of Wight in marketing the Island and in bringing forward the opening of visitor information points using start -up funding from the council.
- Cabinet portfolios created with specific responsibility for sustainability and engaging with town and parish councils and other partner organisations.
- Changed the approach to the management of council properties with far more account being taken of the views of local communities. Halted all asset disposals that were non-essential while considering how to improve the council's approach to these.

Attracting investment and resources and promoting the economy

- Worked with the Island's MP on EU structural funding and assisted area status, including meeting with Minister of State for Business and Enterprise to put forward the Island's case directly to government.
- Secured access to £2.6 million of LEP funding for Island businesses with a further announcement in September of funding to be ring-fenced to Island businesses only.
- Agreed to invest in the Island's economy with a decision on the tidal energy project with an emphasis on attracting external funding and helping to support and grow the economy.
- Funding has been secured from the government to support the transition arrangements with regard to Children's Services and Hampshire County Council.
- "The council has continued to deliver a number of programmes under the "Islework" banner aimed at providing new employment and training opportunities for young islanders. The pre apprenticeship initiative aims to place young people not in education, employment or training (NEETs) with Island businesses with the incentive of the council subsidising the cost of the training wage for a six month period. The council appointed island Work Based Learners such as HTP, Smart and the IW College to manage and administer the initiative (at their cost) with a view to progressing individuals from pre apprenticeship to full apprenticeship opportunities.

The scheme has been in operation for over a year and to date has provided 204 opportunities with 56 people currently on programme. 65 have converted to full apprenticeships and 61 have gone on to employment other training or education. Since the start of the scheme the NEET figure has fallen from 7% to a low of 3.2%. The scheme has been a resounding success with both young people, local businesses and training providers and won the FSB's best small business friendly programme or campaign 2012.

Building on the success of this initiative, the council also developed a full apprenticeship initiative aimed at young JSA claimants (18-24) and those on the pre apprenticeship scheme. This commenced in June 2012 (again administered and managed by the work based learning learners at their cost) and to date has created over 189 opportunities. The number of full apprenticeship on the island has almost doubled over 2 years with some 1,700 places in total. The programme has targeted companies who have not had an apprenticeship in recent years thereby introducing new employers to the benefits and an apprentice can make to their company.

The council has also funded the Islework project administered and managed by the IW Chamber of Commerce. This has resulted in 30 new business start-ups, business mentoring for 68 island small and medium sized enterprises (SME'S) and support through an enterprise hub to 39 companies and over 100 people.

All 3 strands were promoted via a Job and Careers Fair run in October 2012, in conjunction with the IW College, attended by over 600 people. This is due to be repeated in 2013.

To continue with this activity additional funding of £150k is needed which will allow these successful programmes to continue to be delivered over the next 6 months and enable the agencies involved to consider how they can become sustainable in the longer term without the direct funding from the council.

Improving service delivery

- Developed and agreed a strategic partnership with Hampshire County Council with a focus on ensuring improvements across children's services and in particular to improve safeguarding standards for vulnerable children and to work with schools across the island to improve educational standards for all.
- A Children's Improvement Board has been set up and relevant action plans developed. A Social worker recruitment campaign was undertaken to reduce the number of vacant posts filled by agency staff and five permanent positions were filled.
- Commenced the root and branch review of services involving all members in the process. As stated in Framework for Change, this is grounded in reality given the significant budget pressures the council faces in common with all local authorities.
- Alongside the work already being undertaken on understanding the issues being faced in adult social care and what needs to be done to address them as a matter of urgency, a peer review of adult social care led by the Local Government Association has been arranged for November 2013 to ensure that appropriate measures are in place to address any areas that need strengthening.
- Implemented a member led initiative to alter and improve verge cutting under the Highways PFI contract.
- The controversial proposal to build an asphalt plant at Medina Wharf will be withdrawn shortly. Eurovia listened to the concerns expressed by members and residents.

BUDGET REVIEW

11. This Budget Review takes into account a number of considerations that come together to inform the Council's overall financial position and how the Council can deal with it. These are:
 - The outturn position for 2012/13.
 - The delivery of the 2013/14 Budget.
 - The projected resources and need to spend position for 2014/15.
 - The longer term impact of Government's proposals on Local Government funding for 2015/16 and beyond.

2012/13 Outturn

12. Details of the revenue outturn position for 2012/13 were reported to the Audit Committee on 27 June 2013. The 2013/14 quarter one performance and finance report was considered at Cabinet on 10 September and included details of the outturn position. In overall terms there has been a net saving of £3.417m of which £2.950m has been set aside to fund the costs approved by the council during 2012/13, leaving £0.467m to be added to the General Fund Balance at the year end, giving a total balance of £9.017m.
13. On the 2012/13 capital programme the council achieved a total capital spend in year of £45.9m, equivalent to 94% of the re-profiled budget.

Delivery of the 2013/14 Budget

14. The budget strategy for 2013/14 approved by Full Council on 27 February 2013 identified total savings to be achieved of £7.000m. After allowing for the full year effect of savings implemented in 2012/13 the savings target to be delivered in 2013/14 is £8.800m. The additional £1.800m to be delivered in 2013/14 is required to offset the loss of the Council Tax Freeze Grant in 2012/13 which was only paid for one year and needs to be replaced in the base funding for 2013/14. This excludes any further savings that may be needed in 2013/14 and future years arising from additional budget pressures and changes in the grant settlement from government.
15. It is projected that the overall savings target for 2013/14 will be achieved.
16. In relation to the base budget, however, there are a number of emerging pressures that are forecast to lead to an overspend. In overall terms it was projected in the first quarter's budget monitor that the revenue budget would be overspent by some £2.750m at the year- end unless action is put in place to control costs and manage budget pressure areas. At the end of August 2013, however, this has risen to £3.2m.
17. The most significant budget pressures are being experienced within social care, in particular within the budgets for community care and children's safeguarding.
18. The total re-profiled capital budget for 2013/14 is currently £33.245m, including projects slipped from 2012/13. Although some areas of spend are behind profile, others are progressing well and the overall programme is 12.5% behind profile at the end of quarter 1.
19. It should be appreciated that it is still very early in the financial year and there are a range of issues and pressures that could arise and adversely impact on individual budget areas such as the cost of care packages in Adult Social Care, pay awards, potential fall in income, home to school transport.
20. In recent years, however, the first quarters budget monitoring position has always shown a more pessimistic forecast than has actually been delivered in the final outturn and the pattern of spend and the savings plans that have been implemented, as well as the continued tight budget and financial control being exercised, does give rise to a high level of confidence that budget pressures that arise will be offset by savings elsewhere.
21. At this stage, therefore, we are still projecting to not overspend the budget in 2013/14 in overall terms.

2014/15 Budget

22. The Local Government Finance Settlements that followed the 2010 Comprehensive Spending Review set out the grants that the Council will receive in the four financial years 2011/12 to 2014/15. For 2014/15 the figures announced in January 2013 were provisional and announcements in the national budget in March 2013 has reduced the resources for Local government further. In addition in June 2013 the 2015/16 comprehensive spending review was announced that contained further significant reductions in resources for Local government in 2015/16 and future years.
23. The Council faces a significant financial challenge over the life of this Council and in agreeing a budget for 2014/15 it needs to have due regard to the total projected budget gaps in 2015/16, 2016/17 and 2017/18.
24. In considering the budget position there are a number of key issues:-

a) Spending pressures and cost increases

Although in overall terms it is still planned to not overspend in 2013/14 there are clearly pressures in adult social care and children's services that are likely to reoccur in 2014/15. Many of the savings that will offset these costs in 2013/14 will be one-off. There may well be a need to increase the children's services budget by some £ 1m - £1.5m. In addition there will be demographic pressures particularly in adult social care and inflationary and cost pressures. Currently these are projected to add about £5m each year.

b) Capital spend requirements

In addition to the existing capital programme there will be a number of new bids for capital investment. These relate to replacement of vehicles, ICT systems, works to properties and service improvements. These, and existing projects in the programme will be developed and considered as part of the overall budget process.

c) Government grant reductions

The provisional figures for 2014/15 announced by the Government in January 2013 indicated an overall further net grant loss of some £6.2m. In the March 2013 national budget there were further reductions in the spending limit for Local government of 1% plus a further reduction related to top-slicing. The impact on the Isle of Wight Council's allocation is a likely loss of grant of a further £800k. For 2015/16 the comprehensive spending review announced in June 2013 set out national spending reductions for that year. Individual Council figures will not be announced until December 2013 but the impact can be broadly assessed as:

- Reduction in spending limit of 10% in real terms (- £5m - £6m)
- Transfer of new homes bonus to fund local growth fund (-£800k)
- Health and Social Care pooled fund of £3.8m (not new money and significant strings attached)
- Reduction in Education Support Grant and Early intervention Grant (- £700k)

For 2016/17 and 2017/18 the Government has indicated that there will be further reductions on the same scale as experienced so far.

d) Local council tax support scheme

The Council agreed a local council tax support scheme at its meeting on 16 January 2013. The scheme that was agreed gave protection to working age vulnerable claimants and reduced the support to other working age claimants to a maximum entitlement of 80% of council tax liability. For 2013/14 the Government gave a transitional grant for that year only thus increasing the maximum entitlement to 92.5%. This reverts to 80% for 2014/15. If the scheme is changed further then a consultation exercise will be required. A review of the operation of the scheme will be brought to Full Council in October 2013.

e) Local fees and charges

Currently income received in a number of areas is below budget and as part of the root and branch review the opportunity to optimise income from existing and new sources of fees and charges will be looked at.

f) Council Tax

Council tax has been frozen for three financial years and as part of the 2015/16 comprehensive spending review the Government announced its intention to encourage local authorities to freeze council tax in 2014/15 and 2015/16. A council tax freeze grant will be payable equivalent to a 1% council tax rise for two years only. i.e. for 2014/15 a grant in 2014/15 and 2015/16 and for 2015/16 a grant in 2015/16 and 2016/17. In addition the Government has set the maximum level of increase before a referendum would be required at 2%. A 1% council tax rise raises about £725k. The budget strategy assumed Council tax rises of 2% each year. For 2014/15 this would add £1.45m to resources and in 2015/16 £2.9m. If the Council tax was frozen for both years and the 1% council tax freeze grant accepted then the loss of income compared to budget would be broadly 2014/15 £725k, 2015/16 £1,450k, 2016/17 £2,175k and 2017/18 £2,900k. The level of Council Tax for 2014/15 will need to be considered as part of the budget process.

g) Use of Reserves and balances

The overall level of reserves and balances are at a healthy level and bearing in mind the scale of reductions required in 2014/15 and over the life of this Council there may be a need to use some balances to enable savings strategies to be fully developed. They should not be used to fund on-going spend. General fund balances are not linked to any specific liability or risk but are held as a contingency against overall overspends and unforeseen budget pressures. It is felt prudent to maintain at least £5m in general fund balances at the very minimum. At 31 March 2013 they stood at £9.017m. A number of reserves and provisions are also held and they will need to be reviewed as to their current need.

The Overview and Scrutiny Committee have set up a task group on reserve and balances which is undertaking this review. Their recommendations will be reported back through Overview and Scrutiny Committee to Cabinet and will provide a useful basis for consideration as part of the budget strategy.

There is some scope to use balances for pump- priming change, supporting the budget strategy to enable planned savings to be made or making one-off investment in developing priorities particularly where this reduces future revenue costs. They are only a one –off resource and once spent they are no longer available.

OVERALL BUDGET POSITION

25. Taking all these factors into account the updated forecast budget position is as follows:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Government grants reduction	(6,800)	(4,500)*	(3,200)	(2,500)
Increased Budget pressures	(1,000)			
Net Increased costs	(4,650)	(5,528)	(6,000)	(5,000)
Council tax income at 2% increase	1,450	1,450	1,500	1,500
Council Tax Freeze grant drop out of 2013/14		(722)		
Net projected gap	(11,000)	(9,300)	(7,700)	(6,000)
	Figures in brackets indicates increase in budget gap	*The grant loss could be as much as £7m- £9m. At this stage it is assumed that at least £3m- £4m of resource will be attracted from the £3.8bn pooled fund to assist with adult social care pressures		

26. It is clear from the above that whatever the actual figures turn out to be that the Council faces a very significant financial challenge. The figures are by no means the worst case scenario and in recent times each time the government has made an announcement it has reduced resources available to local government even more. In addition the ability of the Council to increase its resources is extremely limited.

27. The net increased cost figure could also be optimistic and assumes that there will be some increases in fees and charges and that pay awards and general inflation will be absorbed by services.

28. With constraints on council tax increases, either through freezes or the government imposed cap on increases at 2%, council tax income each year does not cover basic cost increases let alone demographic and service pressures. In addition the new business rates retention scheme makes no provision for increased need to spend and the business rates share and top up grant is fixed by government. The table below sets out this position excluding schools direct grant.

	2013/14 £m	Provisional 2014/15 £m	Estimated 2015/16 £m
<u>Business Rate Retention Scheme</u>			
50% local share	16.645	17.156	17.636
Top up grant	<u>11.983</u>	<u>12.350</u>	<u>12.696</u>
(uprated by RPI)	28.628	29.506	30.332
Revenue Support Grant	<u>43.032*</u>	<u>35.598*</u>	<u>27.598</u>
Start Up Funding	71.660	65.104	57.930
Extra 1% cut in SL		-0.766	-0.766
Health Transfer	2.743	2.874	6.674
New Homes Bonus	1.728	2.314	1.688
Education Support Grant	1.900	1.700	1.200
Other grants	0.371	0.376	0.376
Government controlled funding	78.402	71.602	67.102
Council Tax Income	60.698	62.148	63.598
Council Tax Freeze grant 2013/14	0.722	0.722	0
Contributions and controlled income	19.806	19.815	19.815
Local discretionary fees and charges	12.844	12.835	12.835
Total net Budget	<u>172.472</u>	<u>167.122</u>	<u>163.350</u>
Increased cost		5.650	5.528
savings		<u>-11,000</u>	<u>-9,300</u>
Net Budget decrease		<u>-5.350</u>	<u>-3772</u>

*Revenue support grant includes £10.765m related to council tax support grant. The council tax figure is net of this grant as the support given no longer counts as council tax income. It also includes £1.788m of CT freeze grant related to 2011/12 which is on-going.

29. It is clear that for the foreseeable future that the Council faces a significant budget gap each and every year as the reduction in government grants plus increased cost will always substantially outweigh its ability to raise income through council tax or local income.
30. This means that the current level of services and activities are unaffordable and significant reductions will need to be made.

PROPOSED WAY FORWARD

31. It would be wrong to consider 2014/15 in isolation from 2015/16 and future years, given the significant grant reductions that will be faced.
32. For certain savings proposals there will need to be consultation and a lead in time for implementation. To get full year savings from 1 April 2014 will require early consideration of options.
33. The Root and Branch Review will provide a basis for considering service delivery both in quality terms and opportunities for delivering services differently. This will be useful in developing priorities and policies for 2014/15 and beyond. Although opportunities for savings will be highlighted there will need to be a separate consideration of options to achieve the full level of savings required to deliver a legally balanced budget for 2014/15.
34. These savings options will be developed by the Service and Budget Review Steering Group. Their terms of reference include drawing up budget options that deliver a sustainable Budget for consideration by Full Council for 2014/15 and future years.
35. At this stage the overall framework and direction of the budget options is proposed as follows:-

For 2013/14

- Continue to review savings/underspends achieved in 2012/13 and being achieved in 2013/14 to confirm which elements can be secured as additional ongoing revenue savings into 2014/15.
- Continue with strict recruitment and spending controls with a view not to overspend in overall terms in 2013/14.
- Robustly look for efficiencies and savings in contracts and supplies and services.
- Defer taking long-term external debt for as long as possible.
- Restrict any capital and revenue spend growth on projects that have ongoing revenue costs

For 2014/15

- To identify, through the root and branch review of support services, opportunities for delivering required activities differently at reduced costs including delivering more activities through the shared services operation at Westridge and focusing on delivering statutory duties.
- To identify opportunities, through the root and branch review of income, for increasing the Council's resources.
- To identify opportunities for partnership working and/or outsourcing of functions that maintain service delivery at reduced cost.
- To develop an officer structure that is effective and affordable in numbers, levels and pay
- To use an amount of balances in 2014/15 to help bridge the budget gap in order to give time for the overall vision and corporate plan to be developed together with savings plans and options developed through the root and branch review to be implemented effectively. The amount of balances to be determined depending upon the budget options that are implemented.

CONSULTATION

36. For the 2013/14 Budget the Council undertook workshops in July 2012 and the budget simulator ran from 6 July 2013 to 6 August 2013. At this stage the budget options are not developed enough to consult on but there is a need to undertake engagement with the public and stakeholders and partner agencies to outline the scale of the financial challenge and to get feedback on broad priorities for local people, businesses and voluntary sector organisations as well as views on what budget savings options should be being pursued. This would then be followed up with a budget consultation exercise on more detailed options in December/January 2014. This would include a budget simulator and a number of stakeholder workshops.
37. The Overview and Scrutiny Committee are focusing on the Budget as part of their work and set up a task group on reserves and balances. They will be fully involved in the overall process and the chair and vice-chair of the Overview and Scrutiny Committee sit on the Service and Budget Review Steering Group. The Chair of the Employment Committee is also a member of the Group thus providing a link to staffing issues.
38. There is continuing consultation with staff and unions on the root and branch review as well as the overall budget. Depending on the savings options developed and agreed for implementation there will need to be appropriate consultation with stakeholders, staff and unions. Those savings that relate to staffing may result in redundancies and require the formal statutory HR1 notification being issued.

FINANCIAL / BUDGET IMPLICATIONS

39. This report is entirely about the overall financial and budgetary position of the Council and updates the financial and budget issues that the Council is now facing following the outturn position for 2012/13, the first quarter's performance in 2013/14 and the projected resources position for 2014/15 and future years.
40. The budget gap relates to the revenue position of the Council .For capital spend those costs not able to be met from government grants or capital receipts have to be met from borrowing. The borrowing costs have to then be provided in the revenue budget.

Revenue Expenditure and Income

Revenue expenditure relates to day to day spend such as staff salaries, supplies & services, energy costs, minor repairs, equipment and capital financing costs – all of which are paying for things that are used up during the course of each financial year. e.g. electricity is consumed and the payment is made for that consumption and the revenue expenditure is incurred when the electricity is used. Revenue income relates to income from fees and charges, council tax payments, grants etc. that are used to fund revenue expenditure in the year.

In accounting for revenue the Council needs to ensure it has sufficient resources to meet its commitments in each and every year. It is this requirement which underpins the need to set a lawful, balanced and deliverable budget on an annual basis, and ensure that the Council does not commit to a projected level of revenue expenditure that is greater than its projected level of revenue income. If it does wish for the former to exceed the latter, it will need to draw on balances. The Council has consistently taken an approach over recent years that does not use balances to support on-going revenue expenditure,

given that such an approach would not allow the Council to live within its means on an on-going basis. Balances could, however, be used more appropriately for expenditure which does not have an on-going requirement, or on a transitional basis should the future funding position be unclear.

Capital Expenditure and Capital Receipts

Capital expenditure relates to spend on assets that have a lasting life such as land, buildings, major equipment, vehicles, major repairs and maintenance. For this expenditure it is normal to spread the cost over much of the life of the asset by borrowing like a mortgage. For example the expenditure of £500k on major building improvements with a life of ten years would be funded by loan and the cost of the repayment of the £500k plus interest incurred would be charged to revenue each year for ten years which would be some £60k per annum.

Capital receipts arise when capital assets like land, buildings etc. are sold. These receipts cannot be directly used to fund revenue expenditure, but can be used to pay for capital expenditure. This avoids or minimises the need to take out a loan, thus saving the revenue capital financing costs or repaying capital debt early (thus reducing revenue capital financing costs that way).

In considering any capital expenditure the important consideration is its affordability in revenue terms. The Council's asset management strategy will need to balance the benefits of using surplus assets for community gain against the need to generate disposal receipts to fund capital spend such as school building works, replacement fire appliances, maintaining buildings and investment in Housing initiatives.

41. The Council faces a significant level of reduction in the resources that it will have available to fund services. The level of grant reductions from government is significant each and every year for the foreseeable future. The current level of service delivery and the activities it undertakes is not affordable and therefore budget options must be developed to deal with this position.
42. The overall reserves and General Fund Balances position is healthy but the budget monitoring position in 2013/14 currently indicates a potential overspend of £3.2m. Action will be taken to ensure that in overall terms the 2013/14 Budget is not exceeded. Reserves and balances are only available on a one-off basis.
43. There is potential however to allocate some one-off funding to support the delivery of corporate priorities without adversely affecting the overall on-going financial position. At this stage it is only proposed to allocate £150k in respect of apprenticeship schemes.

LEGAL IMPLICATIONS

44. The Council will need to set a lawful and balanced budget and Council Tax level for 2013/14 at the Council meeting on 26 February 2014. In developing any proposals the necessary equality impact assessments and consultation processes will need to be followed.

45. The ability to implement savings that deliver a full year effect in 2014/15 is dependent on undertaking the necessary statutory processes and consultation within a timescale that enables savings proposals to be implemented with some effect from 1 April 2014. It is therefore necessary now to identify any areas that are likely to be the subject of savings proposals so that they can be properly worked up to allow for a full year effect in 2014/15.

PROPERTY IMPLICATIONS

46. There are no specific property implications of this report but the ability to support the capital programme is dependant in part on the ability to dispose of surplus assets and generate capital receipts. The delivery of the strategic asset management strategy is also essential in driving the Council's on-going revenue costs down.

EQUALITY AND DIVERSITY

47. The Council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief and marriage/civil partnership). Equality impact assessments will be completed in respect of relevant proposals as part of the decision making process to enable members to take into account and if necessary mitigate the impacts as part of the decision making process. An updated Equalities Impact Assessment on the overall Medium-Term Financial Strategy will be completed for the budget considerations in February 2014.

OPTIONS

48. In relation to developing the approach to the 2014/15 Budget there are five main options:
- (i) To agree the overall approach and strategy as set out in this report as the basis for developing the Budget Strategy for 2014/15 and the Medium-Term Financial Strategy.
 - (ii) To identify and agree any specific further areas that should be worked up for consideration in the budget decisions in February 2014 and consult with residents / stakeholders as appropriate and to develop relevant Equality Impact Assessments.
 - (iii) To not agree the overall approach and strategy as set out in this report and ask that an alternative version be developed for consideration by members in due course.
 - (iv) To agree that £150k is allocated from general fund balances to continue to deliver a number of programmes under the "Islework" banner until 31 March 2014.
 - (v) To not agree that £150k is allocated from general fund balances to continue to deliver a number of programmes under the "Islework" banner until 31 March 2014.

EVALUATION

49. For 2014/15 and beyond the council faces a significant financial challenge and it is essential that budget options for dealing with these are developed in a timescale that enables effective implementation. This needs to include options that cover the next three financial years rather than just 2014/15.
50. The Council is in a relatively strong financial position with healthy reserves and general fund balances such that a limited use for priorities with one-off budget implications is deliverable without undermining the on-going budget position.

RISK MANAGEMENT

51. Currently interest rates are low and no new long-term external borrowing has taken place since January 2005. This has led to significant one-off savings on capital financing costs. The Council's reserves and surplus cash flow is used instead of long-term borrowing. If this was invested short term the interest earned would be very low – some 0.5% – whereas the long-term rates would be in excess of 4%. Ultimately when longer-term borrowing and/or interest rates rise then additional revenue costs of £2m+ per annum may need to be met.
52. The key risks of the 2014/15 Budget Strategy relate to budget pressures being even higher than anticipated, government grant reductions being even higher, savings and efficiencies not being achieved, proposed income levels not being achieved and inflation being higher than expected. These risks are contained in the strategic risk register.
53. If full year effect of savings are to be achieved in 2014/15 then savings options need to be developed and agreed within timescales that enable appropriate consultation and consideration of equality impact assessments to take place.
54. It is considered that General Fund balances of at least £5m need to be maintained on top of earmarked reserves to provide a sustainable position which protects the financial health of the Council in the medium-term. Savings implementation plans have been adopted and are rigorously monitored through Service Boards and the performance management framework. The Budget and Service Review Steering Group will also consider the overall budget monitoring position.
55. The first quarter's budget monitor indicates that the overall budget could overspend by £3.2m in 2013.14. This would make the position in 2014/15 even worse.
56. For 2014/15 and future years it is essential that the Council identifies the necessary measures to deliver a lawful, balanced and sustainable budget. Proposals need to be developed so that the necessary decision-making processes can be followed.

1. **RECOMMENDATIONS**

THAT CABINET considers the overall financial position of the Council and agrees :-

- (a) The overall approach and strategy as set out in this report as the basis for developing the Budget Strategy for 2014/15 and the Medium-Term Financial Strategy.
- (b) To undertake public ;stakeholder; partner agency ,engagement events on the financial challenge facing the Council to raise awareness and get initial feedback and ideas on potential budget options followed by a budget consultation exercise in December 2013/January 2014 on budget options being considered.
- (c) To agree that £150k is allocated from general fund balances to continue to deliver a number of programmes under the “Islework” banner until 31 March 2014.

THAT COUNCIL considers the overall financial position of the Council and the recommendations of the Cabinet and agrees:

- (a) The overall approach and strategy as set out in this report as the basis for developing the Budget Strategy for 2014/15 and the Medium-Term Financial Strategy.
- (b) To undertake public ;stakeholder; partner agency , engagement events on the financial challenge facing the Council to raise awareness and get initial feedback and ideas on potential budget options followed by a budget consultation exercise in December 2013/January 2014 on budget options being considered.
- (c) To agree that £150k is allocated from general fund balances to continue to deliver a number of programmes under the “Islework” banner until 31 March 2014.

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STUART FRASER
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S151 Officer*

COUNCILLOR JON GILBEY
Cabinet Member for Resources